CHAPTER 6

FINANCIAL MANAGEMENT

The financial management procedures include the operating target (OPTAR) accounting, inventory accounting, and cost accounting. You will be required to know this information when you are assigned as a supervisor in a squadron material control, stock control, or aviation support division (ASD)/supply support center (SSC). In squadron material control, you, as the supervisor, are responsible for managing the OPTAR and submitting the required reports. In the stock control or ASD/SSC of a supply department, you will be involved with inventory and cost accounting (directly or indirectly). This chapter will help you understand the requirements, responsibilities, and supervisory checks needed for proper financial management.

ACCOUNTING CLASSIFICATIONS

The list of accounting classifications and their purpose is described in detail in the *Defense Finance Accounting Service-Cleveland*, (DFAS-CL) Manual, (NAVSO P) 1000.2M. The accounting classifications are as follows:

Appropriation or fund-Expenditures in the Navy are primarily classified by appropriation or fund; that is, according to the legal source of the finds chargeable. This accounting classification is described in chapter 2 of DFAS-CL (NAVSO P) 1000.2M.

Generally, appropriations and funds are apportioned to the Navy and then subdivided to other levels of Navy and Marine Corps organizations. The appropriations and funds are made available at the operating level by means of allotments or in some cases suballotments. These accounting classifications are described in chapter 3 of DFAS-CL (NAVSO P) 1000.2M.

Functional accounts—To prepare functional reports with prescribed details of analysis under the fund level, functional accounts are established for identification of the required details. This type of classification is covered in chapter 4 of DFAS-CL Manual, (NAVSO P) 1000.2M. Some functional accounts need to be identified to the appropriate activity. The unit identification codes (UICs) are assigned to identify the activities. The UICs are listed in chapter 5 of the *Navy Comptroller* (NAVCOMPT) Manual, Volume 2.

Object class-Under each appropriation, expenditures are also classified by object class; that is, the kind of item being obtained by the expenditure, However, the object class is not actually shown on some documents because it can be obtained from other information appearing on the documents. This type of classification is covered in chapter 6 of DFAS-CL Manual, (NAVSO P) 1000.2M.

APPROPRIATIONS

The *funds* authorized by Congress for use by different departments of the government are segregated into broad categories as indicated by the appropriation account. These categories are called the appropriations. Appropriations are made from the general fund by Congress to be expended in connection with the operation of the Navy. These appropriations are made for specific purposes and cannot be expended for other than the purpose stipulated. The purpose of segregating by appropriations is to channel the funds to the commands responsible for their administration.

BUDGET ACTIVITY

The appropriations are divided into smaller accounts for various purposes. These divisions are called budget activities and the accounting symbols that identify them are called subheads. Budget activity accounts are established within each appropriation account to record financial transactions. These are the transactions relating to the specific functions contained in the budget as approved by Congress. Budget activity accounts are used primarily for administration, accounting, and control.

BUREAU CONTROL NUMBERS

A bureau control number is an allotment authorization number consisting of five digits. It is made up of a 3-digit allotment number prefixed by a 2-digit budget project number. The bureau control number identifies the activity or ship to which the 3-digit allotment was granted together with the applicable budget project. This numbering system facilitates the classification of data contained in the accounting register used for posting appropriation accounts of various offices and commands.

Budget Projects

The budget activities are divided into one or more projects according to the budget approved by the Congress. To develop more detailed data essential to the administration and control of appropriation, budget projects may be further divided into subprojects. These subprojects can be summarized directly into the related budget project.

Allotments

All funds available within an appropriation account for commitment obligation and expenditure are administered through the issuance of allotments. An allotment is an authorization granted within and according to an appropriation for the purpose of incurrring commitments, obligations, and expenditures to accomplish an approved operating budget. Therefore, an allotment is a subdivision of an appropriation that provides the funding authority for an official to accomplish a specific function or mission.

FUNCTIONAL ACCOUNTS

Generally, fictional accounts classify transactions according to the end use or purpose for which the obligation, expenditure, or collection is made. This classification provides the standards of detail required in various reports and a code number reference for specifying the content of reports. The fictional account is composed of a 5-digit number. The first digit of the account number designates the major heading for the 6 major series of functional account numbers. For example, 1 designates naval vessels; 2 designates ashore naval activities; 5 designates stores; and so forth. The second digit of the functional account number is combined with the first digit to designate the applicable heading for the secondary series. For example, 51 designates Navy stock account (NSA) and 52 designates appropriation purchases account (APA). Refer to chapter 4 of DFAS-CL (NAVSO P) 1000.2M, for more information about functional accounts.

OBJECT CLASS

The object class is used in submitting a budget request to the Office of Management and Budget. It is also used in reporting data whenever an analysis by object class is required. This classification is based upon the nature of the services, articles, or other items for which funds are expended as distinguished from the purposes for which such expenditures are made. This object class should be 000 unless the transaction affects the international balance of payment (see chapter 7 of DFAS-CL (NAVSO P) 1000.2M).

UNIT IDENTIFICATION CODES

The unit identification codes (UICs) are used to identify specific ships, air organizations, or activities to which an expenditure is chargeable as cost of plant, maintenance, or operation.

PROPERTY CLASSES

Property classes are used to segregate the records of plant property. They also provide data for analyzing the cost of manufacturing and of operating some activities. This classification is a refinement of the object classes.

ACCOUNTING CLASSIFICATION CODES

The accounting classification codes are also known as accounting data. They are made up of nine data elements. They are the appropriation, subhead, object class, bureau control number, suballotment, authorization accounting activity, transaction type, property accounting activity, and cost code. The accounting classification codes are required on all purchase requests and resulting obligations and expenditure documents.

DEFINITIONS

There are numerous terms and phrases that relate to funding, accounting, and reporting. A thorough understanding of these terms will help you understand the financial management functions. The following terms are used in financial management functions:

Administrative cancellation is a term that applies to the following transactions: (1) the financial cancellation of an unfilled order by the OPTAR holder with the accounting office without reference to or action by the supply system; (2) the completion of the below threshold unfilled order by the accounting office instead of establishing partial orders; and (3) the processing of credit unfilled orders.

Aged unfilled order is an unfilled order submitted by an OPTAR holder to the accounting office, held for 3 months in the files, and has not matched with a corresponding expenditure document and has not been Cancelled.

Appropriation subhead is a major subdivision of a budget activity of an appropriation. The subheads of the appropriation for the citation of the operating forces are structured to identify the major claimant, five-year defense program, or budget activity, and expense limitation holder.

Authorization accounting activity is the activity designated to perform the accounting for an operating budget.

Budget activity is the smaller part or segment of the appropriation that is identified by subheads.

Confirmed cancellation is the official notification from the supply system that the requisition is canceled and no other supply action will be taken.

Cost center is the subdivision of the responsibility center. A ship, squadron, or other operating unit having a unit identification code and incurring costs against an operating budget is classified as a cost center.

Credit transaction is a transaction that results in an increase in OPTAR balance. For example, the confirmed cancellation of an unfilled order will result in a credit to the OPTAR.

Debit transaction is a transaction that results in a decrease of the OPTAR balance. For example, the amount of obligation (in an unfilled order) is less than the matching expenditure document forwarded by the issuing activity.

Difference is the adjustment value required to make the value of the unfilled orders and the matching expenditure to agree. A debit difference indicates an Underestimate and credit difference is an overestimate of an unfilled order (obligation).

Expenditure is a disbursement or payment of appropriated funds. For example, an expenditure occurs when the supply system issues material; the expenditure document is forwarded to the accounting office for matching with the unfilled order; the accounting activity charges the activity's funds.

Expenses are the costs of material or services that have been consumed or applied.

Expense authority is the budgeted amount within an operating budget approved for incurring expenses.

Expense element is a classification of expenses for cost accounting and reporting. The fund codes used on requisitions and purchase requests identify specific expense elements or subdivisions of expense elements.

Expense limitation is the financial authority issued by a major claimant (such as fleet commanders) to an intermediate level command (such as the type commander).

Filled order is a requisition, purchase request, or order that has matched with a related expenditure and is considered as financially complete.

Five-year defense program is the major financial plan of the Department of Defense for accomplishment within a five-year period.

Major claimant is any bureau, office, or command designated as administering offices under the operations and maintenance appropriations. Major claimants receive operating budgets directly from the Chief of Naval Operations.

Obligational authority is the budgeted amount within an operating budget approved in a fixed amount for incurring obligations or unfilled orders.

Operating budget is the annual budget and financial authority of an activity or command containing the resources to perform its mission.

Operating target (OPTAR) is the annual fund issued by the type commander (or other operating budget holder).

Reconciliation is the process of matching a requisition or other unfilled order with corresponding expenditure(s) performed by the accounting office.

Reimbursable OPTAR is a separate OPTAR granted by the type commander or other operating budget holder to a ship or activity for specific work or services. The work or services performed is chargeable to the reimbursable order accepted by the type commander or other budget holder.

Responsibility center is a command designated to receive and administer an operating budget. A type commander is classified as a responsibility center.

Supplies and Equipage (S&E) is a traditional phrase used to describe the purpose of OPTARs for the operating, organizational maintenance, and administrative requirements of a ship, staff, or other unit of the operating forces.

Threshold is the designated administrative money value ceiling.

Threshold charge is the process whereby the accounting office charges the unmatched expenditure documents of a value below the threshold without matching obligations (unfilled orders). This procedure is conducted only if the research failed to match the expenditure to an obligation on file.

Unmatched expenditure refers to the expenditure document that has not been matched with an unfilled order and has not been threshold charged nor direct charged in the reconciliation process by the accounting Office.

BUDGET AUTHORIZATION

A budget authorization is granted after the appropriation bill is signed by the President. The following paragraphs describe the making of a budget authorization.

STEPS IN BUDGET PREPARATION

The annual budget of the Navy is prepared in several steps. It starts when the director of the Office of Management and Budget requests the Secretary of Defense (SECDEF) to submit the DOD budget estimate. The SECDEF provides the guidelines for budget preparation and directs the Secretary of the Navy (SECNAV) to prepare the budgetary requirements for the Navy. The SECNAV determines the Department of the Navy (DON) policies, directs the preparation of and reviews and approves the Navy program objectives. With the assistance of the Comptroller of the Navy, the Chief of Naval Operations (CNO), and Commandant of the Marine Corps, the SECNAV prepares the Navy program objectives. The Navy program objectives are issued to offices, commands, bureaus, and Headquarters, U.S. Marine Corps. The Comptroller of the Navy requests these organizations to submit their requirements and estimated costs. After the Comptroller of the Navy reviews the estimates, they are forwarded to the SECNAV. After review, the SECNAV transmits the Navy budget estimates to the SECDEF. The Comptroller of the DOD reviews and make recommendations to the SECDEF to submit the budget estimates to the Office of Management and Budget. The director of the Office of Management and Budget reviews the estimates, make revisions to show the President's policy, and prepares the President's budget estimate for submission to the Congress by the President.

CONGRESS

The House and Senate review the budget presented by the President. An appropriation bill, containing the budget figures as modified by changes agreed upon by both the House and Senate, is forwarded to the President for signature.

PRESIDENT

When the President signs the appropriation bill, it becomes a law and an appropriation act.

TREASURY DEPARTMENT AND GENERAL ACCOUNTING OFFICE (GAO)

Upon receipt of a copy of the appropriation act, the Treasury Department draws an appropriation warrant and forwards it to GAO for countersignature. The GAO analyzes, countersigns, and returns the warrant to the Treasury Department. The Treasury Department provides a copy of the warrant to the DON as a notification that the appropriation is available for obligations and expenditures.

MAJOR CLAIMANT/SUBCLAIMANTS

The operating funds identified by the subhead are allocated by the CNO to the major claimants (for example, fleet commanders). The fleet commanders issue expense limitations to themselves for fleet level functions and to the type commanders. The type commanders, in turn, issue operating budgets to shore activities designated as responsibility centers. Type and fleet commanders also issue operating budgets to themselves as responsibility centers for the following expenses

- Centrally managed programs (such as ship overhaul)
- Expenses for their own staffs

- Expenses for their assigned ships, squadrons, and other units

APPROPRIATIONS

The different types of appropriations are described in the following paragraphs.

ANNUAL APPROPRIATION

The annual appropriation is generally made for the current operating and maintenance expenses of the DON. It becomes available at the beginning of the fiscal year as designated by the appropriation act. These appropriations are available for payment of obligations incurred only during that fiscal year; however, they are available for payment of such obligations for 2 years thereafter. When the appropriation expires for obligations at the end of a fiscal year, the unobligated balance is transferred to the surplus of the Treasury. At the end of 2 years of availability y, the balance remaining, representing unliquidated obligations less reimbursements that are to be collected, is transferred to the successor account.

CONTINUING APPROPRIATIONS

A continuing appropriation is an appropriation that remains available until exhausted or until the purpose for which it is made has been accomplished. When the purpose of the continuing appropriation is accomplished, the amount equal to the total of unliquidated obligations, less the total of reimbursements to be collected, is transferred to the successor account. The remaining unobligated balance is transferred to the surplus of the Treasury.

MULTIPLE-YEAR APPROPRIATIONS

This appropriation is generally made for the oprating and maintenance expenses of the DON. It becomes available for obligations and expenditures at the beginning of the fiscal year designated in the appropriations act unless otherwise stated in the act. It is available for payment of obligations incurred only during the fiscal years specified in the act. However, it is available for payment of such obligations for 2 years thereafter. These 2 years maybe extended by Congress. At the end of the last fiscal year included in the appropriation, when the appropriation expires for obligation purposes, the unobligated balance is transferred to the surplus of the Treasury. At the end of the 2-year period of availability, the balance remaining (unliquidated obligations less reimbursements to be collected) in the account is transferred to the successor account.

TRANSACTIONS

All expenditures must have the authorization to be expended from available funds. Transactions develop through stages of reservation, commitment, obligation, and expenditure.

RESERVATION

A reservation is an administrative action that identifies funds set aside for planning purposes before establishing a commitment. Reservations are not maintained as part of official records. However, if a record is maintained, it is included in the minimum unofficial records of the holder of authorization or OPTAR.

COMMITMENT

A commitment is a firm reservation of funds based upon firm procurement directives, orders, requisitions, or an authorization to create obligations.

OBLIGATION

An obligation is incurred when an order is placed, a contract is awarded, a service is received, or a requisition is posted against the appropriation.

EXPENDITURE

An expenditure is the use of funds to cover obligations. Expenditures must be charged to the appropriate funds only. A fund is properly chargeable with all expenditures necessary to accomplish the purpose for which it is established. For example, the appendices of NAVSO P-3013-2 list the fund codes that need to be used for each specific material or services.

ACCOUNTING SYMBOLS

The charges and credits to appropriations and funds are reported to the Comptroller of the Navy. The report is used to update the status of the appropriation and fund. Symbols are used to identify charges and credits to appropriations instead of using titles. The appropriation symbol is used in preparing documents for contracts, *Material Inspection and Receiving Report,* DD Form 250, and *Requisition and Invoice/Shipping Document,* DD Form 1149. The appropriation symbol is also used for all correspondence with the GAO concerning specific appropriations of funds.

STRUCTURE OF SYMBOLS

The accounting symbols are made up of the appropriation and subhead.

Navy Department Appropriation

The symbols for the Navy appropriations contain seven to nine digits. The first two digits of the accounting symbol designate the government department that is responsible for administering the appropriations. For example, in the appropriation symbol 1751804, the 17 designates the Navy Department. The 5 (third digit) designates the fiscal year (95) of the appropriation. An X in the third digit means a continuing appropriation and an M designates a successor appropriation. The 1804 in the example stands for Operation and Maintenance, Navy.

Funds of the Navy Department

The Navy Department funds include the revolving fired and trust fund. The accounting symbols assigned to these funds are listed in chapter 2 of DFAS-CL (NAVSO P) 1000.2M. The Defense Business Operations Fund (DBOF) is a revolving fund. The DBOF symbol is 97X4930. In this symbol, the 97 designates the Department of Defense. The third digit, letter X, designates no fiscal year limitation. The fourth and fifth digits, 49, designate the type of fund, which in this case is a revolving fund. The sixth and seventh digits, 30, designate the particular fund which is the DBOF.

The symbol for trust funds have seven digits. For example, trust find symbol 17X8008 is composed of combinations of digits. The first two digits 17 designate the Navy Department. The third digit, X, indicates that the fund has no fiscal year limitation. The last four digits, 8008, identifes a trust fund. The last four digits designate the symbol assigned by the Treasury Department.

Refer to DFAS-CL (NAVSO P) 1000.2M, for detailed listing of appropriations and accounting symbols used in the Navy.

Appropriation Subhead Number

The subhead numbers are used to identify charges and credits to the first level of subdivisions of appropriations and funds. Subhead numbers consist of four characters. Refer to chapter 2 of DFAS-CL (NAVSO P) 1000.2M, for a list of subhead numbers and titles.

RESOURCE MANAGEMENT SYSTEM AT SHORE ACTIVITIES

The Resource Management System (RMS) for operations at shore activities is designed around one basic account structure to provide complete integration of budgeting, accounting, and reporting. The following data elements are necessary and basic to the accumulation and reporting of management information under the RMS: These data elements are further explained in the succeeding paragraphs.

- Five-Year Defense Program (FYDP) budget activities
- Program elements
- Unit identification codes (UICs)
- Cost centers
- Activity/subactivity group codes
- Functional and subfunctional category codes
- Cost account codes
- Output measurements
- Man-hours
- Expense elements

The RMS for operations is designed to provide external financial and cost reports of approved annual operating budget performance. This report is submitted to the major claimant/subclaimant in terms of expenses by program element, subactivity group codes, functional/subfunctional category codes, and expense elements. The RMS also provides internal reports at the shore activity level in terms of organizational management (such as responsibility centers and cost/subcost centers). The internal reports may be arranged by subactivity group codes, functional/subfunctional category codes, cost account codes, units of output, man-hours, and expense elements. The RMS is also designed to provide the cost center and

Table 6-1.-FYDP Budget Activities

Program Element/Budget Activity (3rd digit of subhead)	Regular Navy Description	Reserve Navy Budget Activity Description
1	Strategic Forces	Mission Forces
2	General-Purpose Forces	Depot maintenance
3	Intelligence and Communications	Other Support
7	Central Supply and Maintenance	N/A
8	Training, Medical, and other general personnel activities	N/A
9	Administration and Associated Activities	N/A
10	Support of Other Nations	N/A

responsibility center managers with reports of financial and quantitative information. This report permits the managers to expeditiously determine the following information:

- Variances from planned programs
- Specific areas causing the variances
- Areas where the workload is increasing or decreasing
- Reduced or increased efficiency
- To take corrective action to guarantee the efficient use of available resources

FIVE-YEAR DEFENSE PROGRAM (FYDP)

The FYDP establishes the planned force structure and financial levels for the military departments for a five-year period. The Navy classifies each activity or unit identified with a unit identification code (UIC) to a FYDP or a specific budget activity within a FYDP and to a specific program element. Refer to table 6-1 for a list of program elements and related budget activities.

BUDGET ACTIVITIES

The principal missions to be accomplished under the appropriation are classified as budget activities (major programs) in the FYDP. These budget activities provide the basis on which the entire RMS operations is structured. Each appropriation symbol is identified with a subhead (example: 17x4911.2320). The third character of the appropriation subhead number identifies the applicable budget activity. For example; subhead .2320 identifies budget activity 2-General-Purpose Forces. The budget activities in the FYDP applicable to the Operation and Maintenance, Navy (O&MN) appropriations (regular and reserve) are listed in table 6-1.

FUNDING AND ADMINISTRATION ASHORE

The appropriation 17_1804 O&MN (regular) has subheads that are structured by and identify Regular Navy budget activities that align with the FYDP. The appropriation 17_ 1806 O&MNR (reserve) has subheads that are structured by and identify the applicable Naval Reserve force budget activity of the FYDP. The Navy cost information system classifies each activity or unit identified with a UIC to the FYDP or to a specific budget activity within the FYDP and to a specific program element. Therefore, with the exception of military personnel costs, the operation of each activity, ship, squadron, or other operating unit is funded entirely from the subhead applicable to the individual activity's program classification.

FLOW OF FUNDS

Type commanders (TYCOMs) issue operating budgets to shore activities designated as responsibility

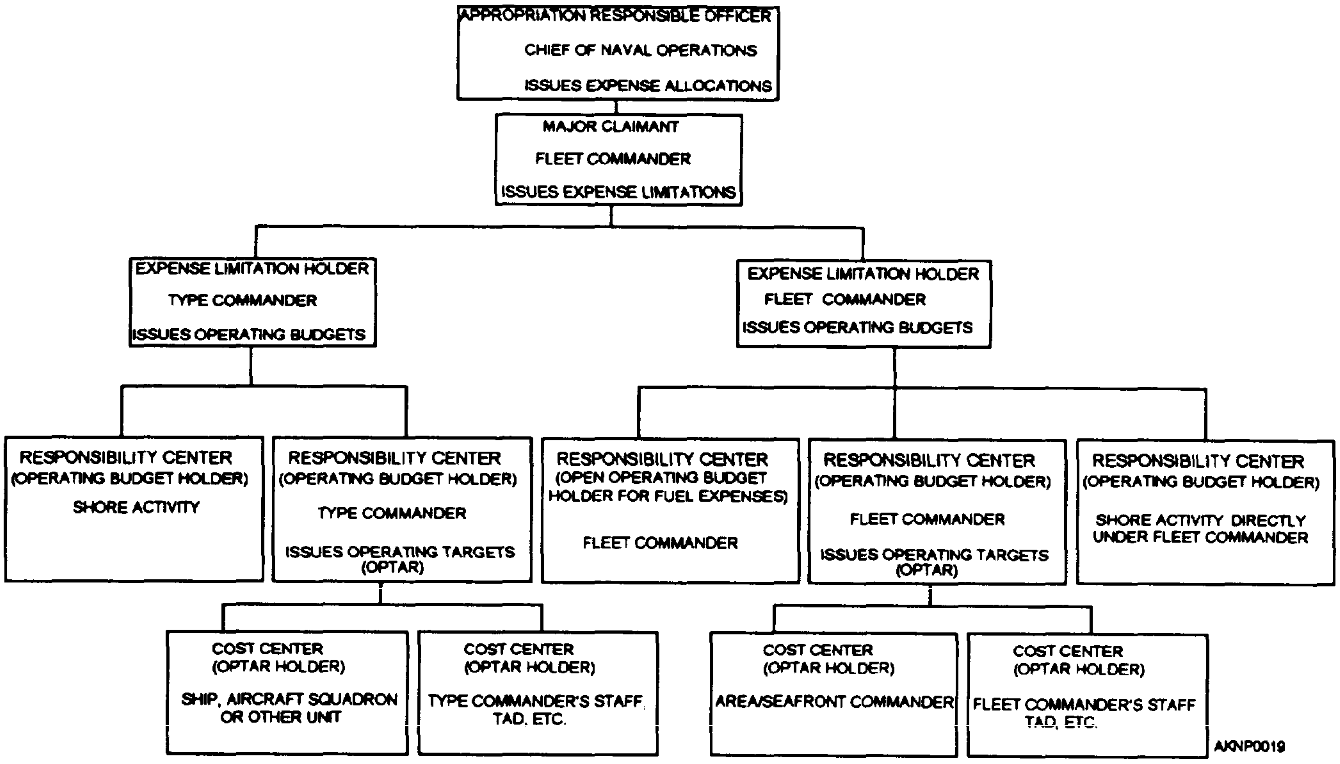

APPROPRIATION RESPONSIBLE OFFICER
CHIEF OF NAVAL OPERATIONS
ISSUES EXPENSE ALLOCATIONS
MAJOR CLAIMANT
FLEET COMMANDER
ISSUES EXPENSE LIMITATIONS
EXPENSE LIMITATION HOLDER
TYPE COMMANDER
ISSUES OPERATING BUDGETS
EXPENSE LIMITATION HOLDER
FLEET COMMANDER
ISSUES OPERATING BUDGETS
RESPONSIBILITY CENTER
(OPERATING BUDGET HOLDER)
SHORE ACTIVITY
RESPONSIBILITY CENTER
(OPERATING BUDGET HOLDER)
TYPE COMMANDER
ISSUES OPERATING TARGETS (OPTAR)
RESPONSIBILITY CENTER
(OPEN OPERATING BUDGET HOLDER FOR FUEL EXPENSES)
FLEET COMMANDER
RESPONSIBILITY CENTER
(OPERATING BUDGET HOLDER)
FLEET COMMANDER
ISSUES OPERATING TARGETS (OPTAR)
RESPONSIBILITY CENTER
(OPERATING BUDGET HOLDER)
SHORE ACTIVITY DIRECTLY UNDER FLEET COMMANDER
COST CENTER
(OPTAR HOLDER)
SHIP, AIRCRAFT SQUADRON OR OTHER UNIT
COST CENTER
(OPTAR HOLDER)
TYPE COMMANDER'S STAFF, TAD, ETC.
COST CENTER
(OPTAR HOLDER)
AREA/SEAFRONT COMMANDER
COST CENTER
(OPTAR HOLDER)
FLEET COMMANDER'S STAFF TAD, ETC.
AKNP0019

Figure 6-1.—Flow of funds for operations and maintenance, Navy.

renters. Figure 6-1 illustrates flow of funds for operation and maintenance. Figure 6-2 illustrates the flow of funds for the Defense Business Operations Fund (DBOF).

FUND IDENTIFICATION

The fund identification system is broken down into several divisions for specific identification. These elements are the appropriation symbol and subhead.

Appropriation Symbol

As described in the previous paragraph, the appropriation symbol identifies the government agency

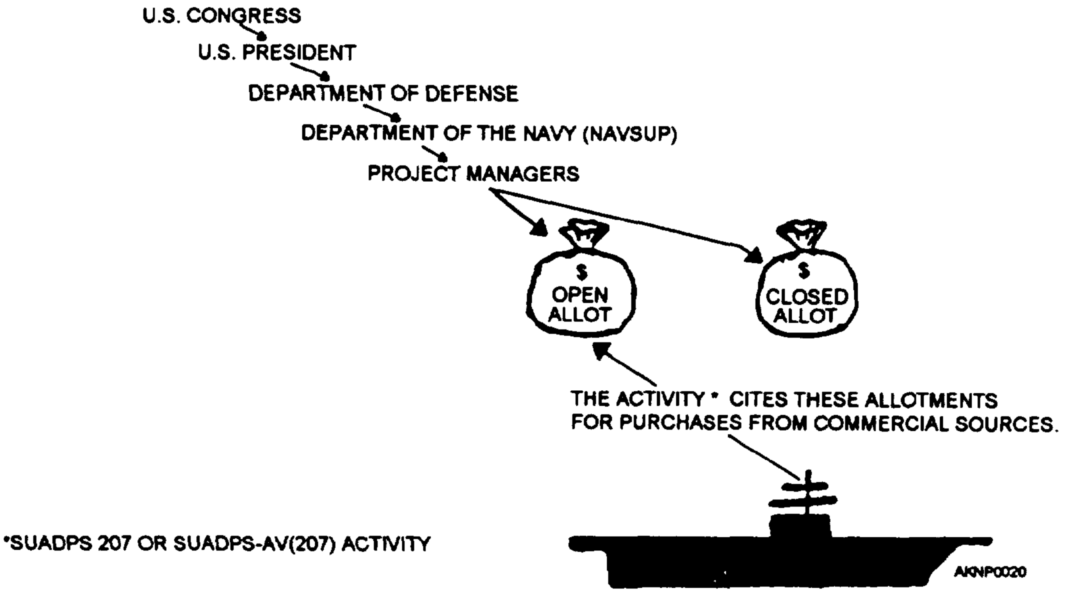
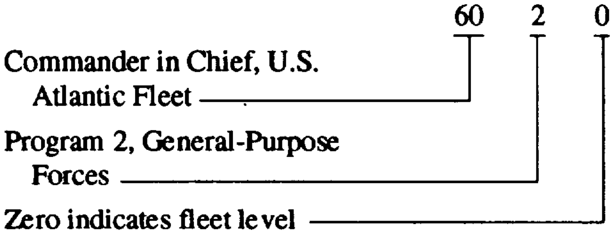

U.S. CONGRESS
U.S. PRESIDENT
DEPARTMENT OF DEFENSE
DEPARTMENT OF THE NAVY (NAVSUP)
PROJECT MANAGERS
$ OPEN ALLOT
$ CLOSED ALLOT
THE ACTIVITY * CITES THESE ALLOTMENTS FOR PURCHASES FROM COMMERCIAL SOURCES.
*SUADPS 207 OR SUADPS-AV(207) ACTIVITY
AKNP0020

Figure 6-2.-DBOF Funding.

responsible for administering the appropriation, the fiscal year, and the specific appropriation.

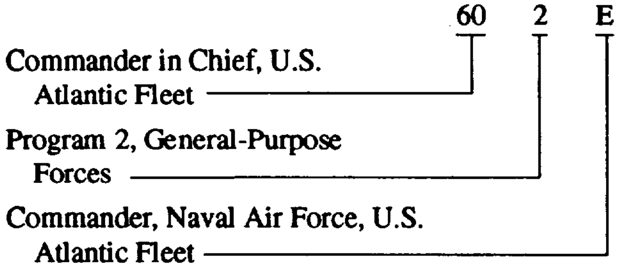
Subhead Symbol

The four-digit subhead symbol for the O&MN appropriation identifies the major claimant and major program of the FYDP. The first two digits represent the last two digits of the major claimant's UIC. The third digit identifies the major program or budget activity of the FYDP. The fourth digit is a zero at the major claimant (fleet) level. The following is an example of a subhead symbol:


60
2
0
Commander in Chief, U.S. Atlantic Fleet
Program 2, General-Purpose Forces
Zero indicates fleet level

Expense Limitation

An expense limitation cites the same subhead from which it is issued except that the fourth digit is an alphabetic or numeric character assigned by the major claimant to identify the expense limitation holder. The following is an example of an expense limitation subhead symbol:


60
2
E
Commander in Chief, U.S. Atlantic Fleet
Program 2, General-Purpose Forces
Commander, Naval Air Force, U.S. Atlantic Fleet

Operating Budget

Operating budgets are issued from expense limitations to responsibility centers on a Resource Authorization, NAVCOMPT Form 2168-1, and are designated by the UIC of the responsibility center. Fleet and type commanders issue operating budgets to themselves for centrally managed programs and for their subordinate cost centers (units). When more than one operating budget is issued to a responsibility center from the same expense limitation, the operating budgets are distinguished by appending a one-character alphabetic or numeric suffix to the operating budget number. To simplify the identification of the specific operating budget chargeable on each requisition or other financial document, two-digit fund codes are established by the Office of the Comptroller of the Navy. Fund codes used by the operating forces are contained in appendix II of NAVSO P-3013.

Operating Target (OPTAR)

Operating budget holders establish OPTARs as required to identify costs separately and to permit command and management to follow the same channels. OPTARs are not issued from other operating targets, but are issued direct from an operating budget by the operating budget holder down through one or more levels in the command structure. OPTARs are not designated with a distinguishing identification number. The combination of the applicable fiscal year, service designator (R for Pacific Fleet units and V for Atlantic Fleet units), UIC of the OPTAR holder, and the fund code applicable to the operating budget provides the complete accounting classification for a requisition. For example, the requisition number R0336550051004 and the fund code LC identify the following:

Appropriation:	1751804, Operation and Maintenance, Navy, Fiscal Year 1995 (fiscal year determined from Julian date 5005)
Subhead:	702E, FYDP budget activity 2—(General-Purpose Forces), Pacific Fleet COMNAVAIRPAC'S expense limitation
Operating Budget	57025 B, COMNAVAIRPAC's operating budget for ship operations
Operating Target	Supplies and Equipage OPTAR of UIC R03365, USS Enterprise (CVN-65)
Expense Element	Consumable material
Accounting Office:	Defense Accounting Office, San Diego

Reimbursable Orders

A reimbursable order is a request for work or services to be performed on a reimbursable basis by one responsibility center for another, or for another government department, or for a nonfederal activity. The receipt and acceptance of a reimbursable order for performance by a fleet responsibility center has the effect of automatically increasing the amount of the operating budget. Each reimbursable order accepted requires special identification coding to guarantee the proper acummulation of costs. These special codes can be obtained from paragraph 4200 of NAVSO P-3013.

FUND ADMINISTRATION FOR OPERATING FORCES LEVEL

The operating forces discussed in this chapter are the ship and aviation operating forces. The ship operating forces include the active fleet ships, reserve training ships assigned to an active fleet, oceanographic units, amphibious construction battalions and units, staffs, and commands. The aviation operating forces include the squadrons, units, staffs, ships supporting aircraft (for aviation funds only), and fleet marine force aviation commands (for Navy funds only). These operating forces are assigned to the Defense Accounting Office of the Atlantic or Pacific fleet for accounting purposes.

RESPONSIBILITY

Each type commander (or equivalent) is responsible for the development of resource requirements, administration of available funds, and continuous analyses of the status of OPTARs issued, including the efficient and effective use of them. Corrective action is taken, where necessary, in the research and reconciliation of unfilled orders, unmatched expenditures, and expenses incurred.

The OPTAR holder is responsible for the efficient and effective use of OPTAR. The OPTAR holder is also responsible for accurate and timely accounting and reporting of funds. Prompt action must be taken in performing research and validation of transactions reported by the accounting office.

FINANCIAL RECORDS

The duties and responsibilities of the financial recordskeeper are vitally important, especially at Shipboard Uniform Automated Data Processing System-Real Time (SUADPS-RT) activities. The financial recordskeeper performs both end-use OPTAR accounting and Defense Business Operations Fund (DBOF) accounting. TYCOMs issue separate OPTARs for the operation and maintenance of the activity, for the repair of other vessels, and for flight operations. These OPTARS are administered and reported as prescribed by the Financial Management of Resources Operating Procedures (Operating Forces), NAVSO P-3013. The DBOF is administered and reported as prescribed by various Naval Supply Systems Command (NAVSUP), Navy Comptroller (NAVCOMPT), and DFAS-CL manuals. The financial recordskeeper must recognize that the OPTAR funds are separate from the DBOF. However, there is a relationship between these two funds that must be understood.

DEFENSE BUSINESS OPERATIONS FUND (DBOF)

The DBOF is a consolidation of the Navy Stock Fund (NSF) and the Navy Industrial Fund (NIF). The term ***DBOF*** replaces the terms ***NSF, NIF,*** and Navy ***Stock Account (NSA).*** However, other documentation, reports and associated correspondence may continue to refer to NSA, NSF, or NIF.

The DBOF is a revolving fund established by Congress to purchase material carried in stock ashore as inventory by the Navy stock points, and material carried afloat by destroyer tenders (ADs), repair ships (ARs), submarine tenders (ASs), combat stores ships (AFSs), aircraft carriers (CVs), nuclear-powered aircraft carriers (CVNs), amphibious assault ships (LPHs), helicopter assault landing ships (LHAs), and marine air groups (MAGs). These activities spend DBOF dollars to procure items expended to an end-use customer. The fund is reimbursed when material is requisitioned for use by charging the customer's OPTAR and crediting the DBOF. This transaction returns the money to the DBOF so that replacement material may be purchased and the revolving fund continued, as shown in figure 6-3.

The DBOF also finances the operations that were previously managed under the Navy Industrial Fund (NIF). These are the operations of all industrial-type or commercial-type activities approved by the Secretary of Defense as specific projects under the fund.

The operations of the DBOF are governed by the regulations of the Office of Secretary of Defense. Any request for exceptions is submitted to the Comptroller of the Navy via the Naval Supply Systems Command (NAVSUPSYSCOM).

SPECIAL ACCOUNTING CLASS (SAC) 207

The activities operating under SUADPS-RT procedures are considered intermediate supply facilities. These SUADPS-RT activities are authorized to carry DBOF items as inventory material. This material is categorized as SAC-207 material to separate

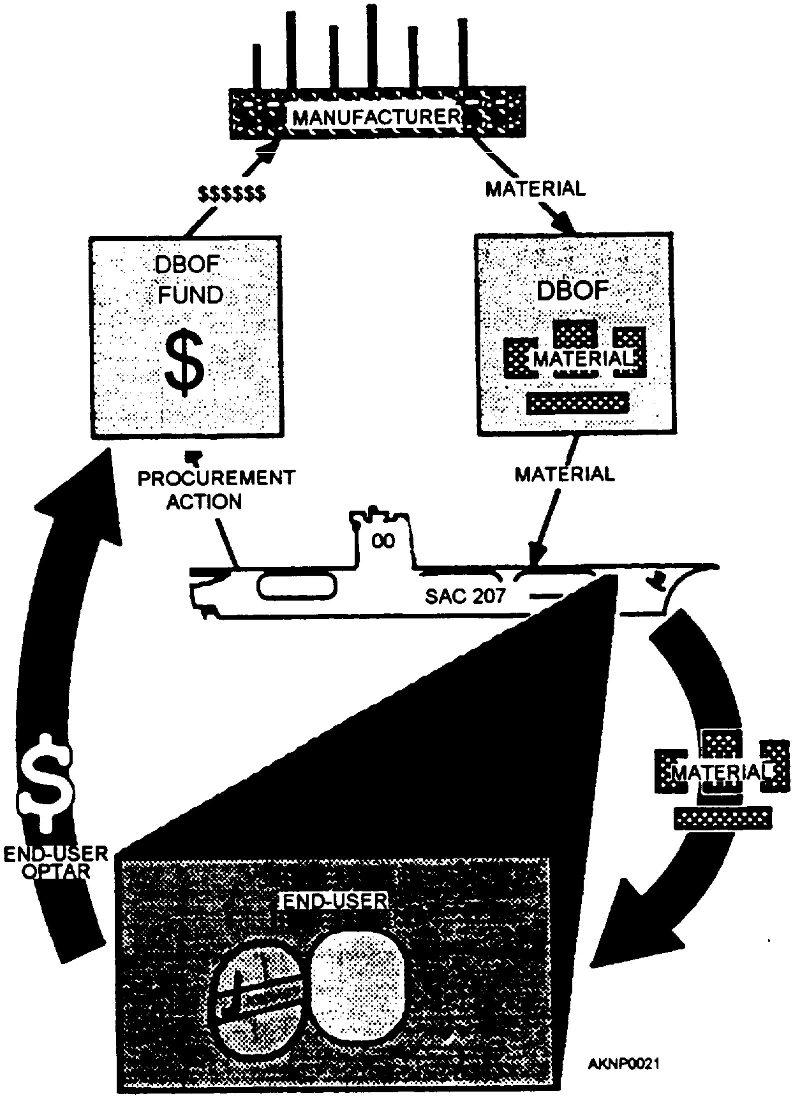


Figure 6-3.-The DBOF revolving fund.

them from material carried in other special account classes. The SAC-207 activities include afloat units such as tenders, repair ships, combat stores ships, aircraft carriers, amphibious assault ships, and marine air groups.

Transactions

The SUADPS-RT activities use DBOF to requisition material for stock or direct turn-over (DTO) by citing a SAC-207 fund code on the external requisitions. When the material is received, it is recorded as a receipt in the DBOF. When the material is issued, the OPTAR fund of the end-user is charged to reimburse the DBOF. This is done by citing the activity's UIC and the TYCOM's fund code on the issue document, resulting in a charge to the OPTAR funds and a reimbursement to the DBOF. For DTO receipts, the SUADPS-RT computer will process the receipt into the SAC 207 fund and generate a charge to the end user's OPTAR fund.

When a SUADPS-RT activity issues material to an end-use funded activity, charges are made to the receiving activity's OPTAR by citing the activity's OPTAR and the TYCOM's fund code on the issue document. This results in a charge to the customer's OPTAR and a reimbursement to the DBOF.

When there is an issue of DBOF material from one SUADPS-RT activity to another SUADPS-RT activity, the requisition is processed as an Other Supply Officer (OSO) transfer.

Financial Reports

Activities stocking DBOF material are required to submit a financial inventory return monthly to the appropriate accounting office. The financial inventory report (FIR) is an accounting of the value of the DBOF SAC 207 inventory of the activity submitting the report. The FIR data is reported to the Defense Finance Accounting Service (DFAS) through the Defense Accounting Office (DAO). All the transactions that change the value of the SAC 207 inventory are posted to the FIR for reporting. The three types of FIRs maintained in SUADPS-RT are as follows:

APA FIR.— The appropriation purchase account (APA) provides the FIR code value for all items with a cognizant symbol starting with an even number. The APA FIR is the official accounting that is forwarded to the type commander (not to DAO) monthly for statistical purposes only.

NSA FIR.— The NSA FIR provides the FIR code values for all items with cognizant symbol starting with an odd number. The NSA FIR is forwarded monthly with the supporting documentation to the DAO for stores accounting of DBOF.

END-USE FIR.— The end-use FIR gives the money value including the value of transactions for items with cognizance symbols starting with 7. The end-use FIR is submitted to the type commander (not to DAO) on a monthly basis.

A copy of the financial report will be retained by the reporting activity. This report should be filed in a single binder for reference and should be kept for a period of 3 years.

The FIR codes consist of two digits that identify the types of transactions affecting the DBOF financial records. The data required for financial management reporting are accumulated by the FIR caption codes established by the transactions to the inventory. For example, different types of receipt transactions, different types of material transfers, and different types of issue transactions are assigned different FIR codes. The NAVSUP P-437, chapter 5, lists the FIR codes, their definitions, and their related transaction document identifiers (DIs).

The DAO SAC 207 Feedback Exception Reports

All receipts that are processed during a month's period are reported to DAO on the NSA Monthly Receipt Report. The DAO reconciles the activity's receipts with the abstracts, billings, or summaries for that activity. Figure 6-4 illustrates the receipts and billings document flow. The reconciliation is performed to account for the changes in the inventories of the issuing activity and the receiving SAC 207 activity. The reconciliation process prevents large losses in DBOF. The procedures ensure that SAC 207 activities submit all receipts and that all expenditures against the DBOF are valid. After the reconciliation process, the documents will fall into one of the following categories:

1. Perfectly matched documents
2. Imperfectly matched documents
3. Partially matched documents
4. Unmatched documents

After completing the monthly reconciliation process, the DAO produces the exception reports and distributes the listings to the appropriate activities. Some of the listings include the unmatched expenditure listing, unmatched receipt listing, unmatched OSO receipts, and so forth. For automated activities, the DAO also provide a magnetic tape of Unmatched receipt and expenditure records for input to SUADPS-RT unmatched expenditures (UNMEX) function. Refer to NAVSUP P-567, volume 2, for a complete list of the feedback reports produced by DAO.

Processing the DAO Exception Listing

After the reconciliation process, the DAO distributes the Unmatched Listing for Captions C&H/A&G. These listings must be researched and processed promptly. The financial supervisor ensures that appropriate files and listings are available for use during the research. Some of the listings and files needed for conducting research are as follows:

- Cumulative fiscal year to date (FYTD) listings of receipts
- Detailed listings produced by UNMEX processing
- Stock control history files
- Transaction ledger files
- Off-line stock requisition number logs
- Department./division document number logs

The ***Unmatched Listing for Captions C & H*** consists of all unmatched and partially matched

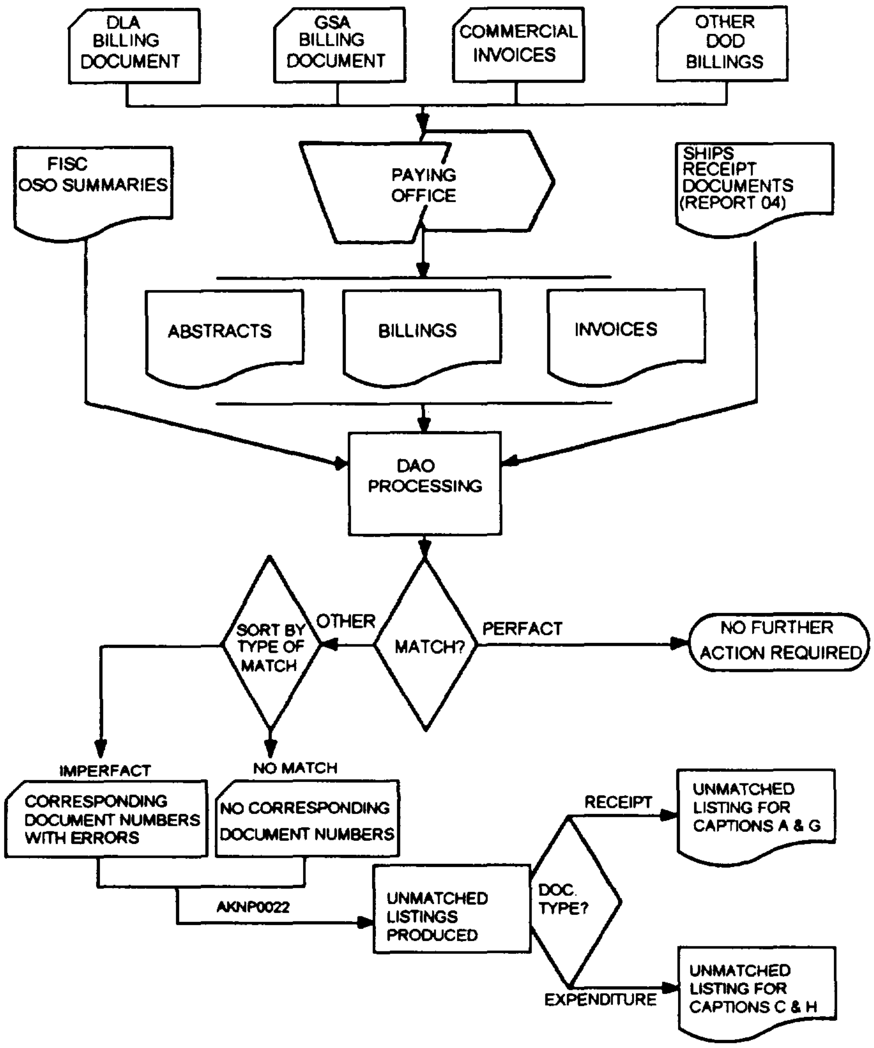

DLA BILLING DOCUMENT
GSA BILLING DOCUMENT
COMMERCIAL INVOICES
OTHER DOD BILLINGS
FISC OSO SUMMARIES
PAYING OFFICE
SHIPS RECEIPT DOCUMENTS (REPORT 04)
ABSTRACTS
BILLINGS
INVOICES
DAO PROCESSING
SORT BY TYPE OF MATCH
OTHER
MATCH?
PERFACT
NO FURTHER ACTION REQUIRED
IMPERFACT
NO MATCH
CORRESPONDING DOCUMENT NUMBERS WITH ERRORS
NO CORRESPONDING DOCUMENT NUMBERS
RECEIPT
UNMATCHED LISTING FOR CAPTIONS A & G
AKNP0022
UNMATCHED LISTINGS PRODUCED
DOC. TYPE?
EXPENDITURE
UNMATCHED LISTING FOR CAPTIONS C & H

Figure 6-4.-Receipts and billings document flow.

expenditures on DAO's files. This listing represents the summaries, transfers from other supply officers, billings from DLA, GSA, or civilian vendors for which the ships have not processed a receipt. Captions C & H are defined as follows:

Caption C- OSO Summaries

Caption H - Abstracted public voucher payments, DLA billings, and GSA billings

The ***Unmatched Listing for Captions A & G*** is a listing of all receipts processed by the SAC 207 activity. The receipt is reported to DAO but has not been matched with a bill or summary from the issuing activity. Captions A & G are defined as follows:

Caption A – Reported receipt from OSO, FIR codes F4 and F5

Caption G - Reported receipt from purchase, FIR codes A 1, A3, and A4

The ***Listing of Partially Matched Receipts and Abstracts or Summaries*** is also distributed by DAO on a monthly basis. This listing informs the activities of those expenditures that were partially matched during the monthly reconciliation cycle. A transaction record will also appear on the unmatched listing for captions C & H for the unmatched quantity and money value. Each record on the listing must be researched and annotated with the appropriate codes listed in appendix 5 of NAVSUP P-567, volume 2. The annotated copy of the listing is returned to the DAO no later than 20 days after receipt.

The ***Follow-up Listing for Captions C & H*** contains a separate listing of each caption code C & H that represents above threshold unmatched and partially matched expenditures. The expenditures listed are 6 months old and will be overaged on the ninth month if not reconciled. The transactions also appear on the unmatched listing for captions C & H. The listing is researched and annotated according to the procedures in NAVSUP P-567, volume 2. An annotated copy is returned to the DAO no later than 20 days after receipt. A copy must be retained at the SAC 207 activity for at least 1 year.

The ***Adjustment Listing for Captions C & H*** represents all unmatched and partially matched expenditures that became overaged during the monthly reconciliation cycle, These expenditures were automatically charged (below threshold) as losses to the DBOF. The documents in the listing must be researched and processed accordingly.

The ***Follow-up Listing for Unmatched OSO Receipts*** is a record of OSO receipts that has been in the unmatched listing for captions A & G for 6 months. The transactions have not matched expenditures from the issuing activity and will become overaged at the ninth month. The transactions must be researched and an annotated copy sent to the DAO no later than 20 days after receipt. A copy of the list is retained at the SAC 207 activity for at least 1 year.

The ***Listing of NAVSUP Form 1162 Records*** contains end-use charges included in the monthly DBOF expenditure report for charges or credits that were later challenged by the receiving activity. The charges have been billed back to the SAC 207 account and will appear on the unmatched listing for captions C & H with the notation 290 in the stock number field. The listing is processed according to NAVSUP P-567, volume 2. The listing of NAVSUP Form 1162 is not returned to DAO but is retained by the SAC 207 activity for a period of at least 1 year.

NAVCOMPT Form 168

Periodically, SAC 207 activities will receive a *Request for Information on Material Receipt/ Expenditure Document,* NAVCOMPT Form 168, from other supply officers. This may be received from fleet and industrial supply centers (FISCs), other SAC 207 activities, ship's stores and so forth. The activities submit the form to request proof of shipment or credit documents for material offloads or issues. Detailed procedures for processing NAVCOMPT Form 168 is described in volume 2 of NAVSUP P-567.

Performance Analysis

Activities monitor key SAC 207 performance indicators (pulse points) using various forms of documentation. The key performance indicators and proper supervisory audits can ensure proper financial processing. The pulse points used to monitor the activity's performance are described in the next paragraphs. This section also discusses how financial processing, if improperly performed, can affect the performance indicators.

INVENTORY VALIDITY.— This term refers to the accuracy between the quantity of material posted in stock records and quantity in the storage location. Financial processing can affect the inventory validity in an activity. For example, a receipt document was processed to reconcile the unmatched expenditures or receipts appearing on the SAC 207 exception feedback listing without performing a spot inventory. This process may lower the number of unmatched expenditures or receipts; however, the inventory validity can be significantly affected. Improperly processed receipt documents, after the spot inventory, can also affect inventory validity.

SUPPLY EFFECTIVENESS.— The supply effectiveness reflects the activity's ability to fill customer requirements. The customer requirements filled by the activity (net) and from other sources (gross) are used to measure the supply effectiveness, Financial processing directly affects supply effectiveness. For example, when stock receipt documentation is reconciled against the unmatched expenditures erroneous y appearing on the SAC 207 unmatched expenditure listing without proper spot inventory verification. The stock records could reflect a quantity of material greater than that of the quantity actually in the storage location. This situation will result in processing a warehouse refusal thereby lowering the supply effectiveness.

GROSS INVENTORY ADJUSTMENTS (GIA).— The GIA is calculated by totaling the monthly gross adjustments (gains by inventory, losses by inventory, and surveys) and dividing the result by the monthly throughput. The throughput refers to the value of specific categories of throughput identified by certain FIR codes. An improperly processed exception feedback listing can affect the GIA. For example, a stock document is reconciled against the unmatched expenditure or receipt erroneously appearing in the SAC 207 feedback exception listing without conducting a spot inventory. The quantity in the stock records shows more than the actual quantity in the storage location. This situation will result in a warehouse refusal and a loss by inventory (LBI) will be processed that increases the GIA.

DEFICIENCIES TO SHIP AUTHORIZED LEVEL (SAL).— The stores account material management afloat/ship authorized levels (SAMMA/SAL) is a management report. The intent of the SAMMA/SAL is to maximize the amount of authorized material on hand and minimize financial investment in unauthorized material. The accuracy of the SAMMA/SAL computation relies upon the inventory validity. Improper financial processing can contribute to the deficiency of SAL. For example, a stock receipt documentation is reconciled against the unmatched expenditure that is erroneous] y appearing on the SAC 207 exception feedback listing. This results in an inaccurate reflection of inventory validity. Therefore, the amount of on-hand stock material as a percentage of the SAL is incorrectly computed. If this is a significant problem, the impact on supply readiness can be critical.

UNMATCHED EXPENDITURES AND RECEIPTS.— The SAC 207 activities monitor the percentage and number of unmatched expenditures and receipts. The listings are monitored to ensure compliance of the standards and goals set by NAVSUP and TYCOMs. The standards and goals are generally established for the following categories:

1. Total unmatched expenditures and dollar values
2. Number of overaged expenditures and dollar values
3. Total unmatched receipts and dollar values
4. Number of overaged receipts and dollar values

The last page of unmatched listings for captions C&H and A&G provides summaries by record counts and total money values of all listed and unlisted transactions. These values will be used by supply and the financial managers to evaluate the activity's performance in relation to receipts and SAC 207 exception processing.

REDISTRIBUTABLE ASSETS ON ORDER (RAO).— The term *redistributable assets on order* is also known as unauthorized on order (UOO). The RAO is the material on order that is above the requisitioning objective (RO).

REDISTRIBUTABLE ASSETS ON BOARD (RAB).— The term *redistributable assets on board* refers to the level of stock on hand that exceeds the sum of the SAL and the authorized retention (AR). The AR is a long-supply asset that is authorized for retention. The RAB is also known as unauthorized long supply (ULS).

SHIP'S OPERATING TARGET (OPTAR) FUNDS

The term ***operating target*** is defined as an estimate of the amount of money that will be required by an operating ship, staff, squadron, or other unit to perform assigned tasks and functions.

Budgeting

Each year Congress enacts an O&MN appropriation that authorizes the Navy to buy needed material and services. A portion of this appropriation is passed down through the chain of command to the activity in the form of an OPTAR grant.

Type commanders require that the supply officers develop an annual management plan for supplies and equipage (S&E) OPTAR dollars. The participation of other departments in the activity is essential in developing the annual management plan. Accordingly, department heads must determine their annual funding requirements prioritized according to the type commander's direction, then submit them to the supply office. When the annual planning figure has been promulgated by the type commander, the supply officer develops a recommended allocation of funds. The allocation of funds is developed in coordination with all the departments based on their requirements. The recommended allocation of funds and the entire financial plan must be submitted to the commanding officer for approval. The number and type of OPTAR grants provided these activities depend on the mission of the activity. All SUADPS-RT activities (except MAGs) receive Supplies and Equipage (S&E) OPTAR grants to cover the operation and maintenance of the activity. They may also receive a reimbursable OPTAR when a requirement exists to provide work or services to another TYCOM or government department as directed by the activity's TYCOM. Tenders and repair ships receive a Repair of Other Vessels OPTAR to finance the material or services used in the repair of other ships. Aircraft carriers, amphibious assault ships, and MAGs receive Aviation Fleet Maintenance (AFM) OPTARs to cover the cost of aircraft maintenance. Aviation squadrons receive Flight Operations (FLTOPs) OPTARs to cover the cost of flight operations maintenance.

To determine the authorized charges to each of the above mentioned OPTARs, refer to NAVSO P-3013.

Reporting Time Frames

OPTAR grants are available for obligations only during the fiscal year in which they are granted (1 October through 30 September). However, OPTAR for each fiscal year must be accounted for over a full 36-month cycle. During this period and for 24 months after the end of the fiscal year, activities submit budget/ OPTAR reports as required by NAVSO P-3013-2. These reports are discussed later in this chapter.

Unfilled Orders

Automated activities process all material receipts and issues through the computer. The reconciliation of unfilled orders (obligations) and expenditures for material is performed internally by the SUADPS-RT system for the S&E OPTAR. If the activity holds a Reimbursable OPTAR, unfilled orders are submitted for all transactions (both material and services). When a SAC 207 activity does the accounting for a squadron's FLTOPs OPTAR, unfilled orders are submitted for all transactions (both material and services) for the squadron.

Records/Logs and Files

The procedures for keeping and maintaining financial record/logs and files are automated and manual.

AUTOMATED.— Automation such as SUADPS-RT has eliminated the need for manual records at the command level. Large ships such as aircraft carriers use the *Shipboard Nontactical ADP Program* (SNAP) **I** or III (new version) system. The OPTAR holders do not need to maintain a manual NAVCOMPT Form 2155 because the computer systems accomplish what the manual procedures do as part of its system design. In managing the direct program funds, the SUADPS-RT OPTAR holders submit the following data once a month on the last day of the month:

- Detail unfilled order (obligation) documents in mechanized form for Cognizance Code 99 (services)
- Flight operations (excluding aviation fuel) via an unfilled order summary report (Report 20)
- Automated document transmittal report (NAVCOMPT Form 2156)

Various versions of SNAP I or III have completely automated the receipt of reimbursable OPTAR and the processing of their transactions. Under SUADPS, the procedures for ordering material for use on a reimbursable funding are basically the same as ordering material for the OPTAR funding the direct operations. However, the fund code used has an A in the second character and the reimbursable control code is assigned as the first two characters of the document serial number. The detail unfilled orders (obligations) established for reimbursable OPTAR are automatically y prepared for submission to DAO when the monthly financial report is processed. Refer to paragraph 4200 of NAVSO P-3013-2 for detailed information about reimbursable operating targets.

To guarantee the accuracy of the automated records, all transactions affecting financial files including issues from stock, DTO requisitions, open purchase transactions, and transactions for supported units must be posted into the system. The SUADPS-RT contains program and quality assurance checks that validate input transactions during computer processing.

MANUAL.— Activities using the manual procedures must establish a Requisition/OPTAR Log (NAVCOMPT Form 2155). This log is used to record OPTAR grants and the value of all transactions incurred as chargeable to the type commander's operating budget. A separate requisition/OPTAR log is established for each OPTAR received.

The financial files must be established for each fiscal year for each OPTAR received. These files are labeled file 1 and file 2. The *Unfilled Order Chargeable Documents for Transmittal,* File 1, contains the accounting copy of documents chargeable to the OPTAR. All the documents must have the price, price extension, and entered in the estimated cost chargeable section of the appropriate NAVCOMPT Form 2155. The documents in this are transmitted to the DAO for matching with expenditure documents from supplying or paying activities. The *Unfilled Order Cancellation Documents/Lists for Transmittal,* File 2, contains the following documents:

- Lists of confirmed cancellations or copies of individual cancellation documents
- Advance downward price adjustments
- Copies or lists of administrative cancellations of above threshold unfilled orders and optionally administrative cancellations of below threshold unfilled orders that decrease the estimated cost chargeable (credit adjustments).

All the documents in file 2 must be priced, extended, and entered in the appropriate NAVCOMPT

Form 2155. The documents in file 2 are transmitted to the DAO.

Requisition/OPTAR Log Posting and Maintenance

The requisition/OPTAR log (NAVCOMPT Form 2155) must be maintained in ink by OPTAR holders using manual procedures. Activities using the automated procedures use the computer programs to maintain the logs and files. Refer to NAVSO P-3013-2 for the breakdown and uses of each column in NAVCOMPT Form 2155.

OPTAR GRANT.— When received, the OPTAR grants, advances, augmentations, or withdrawals must be posted in the *Increase or Decrease and Balance* column of NAVCOMPT Form 2155. The type of authority (for example, *grant)* and the method and date of transmittal (message or letter) should be referenced in the *Description* column.

CHARGEABLE UNFILLED ORDER TRANSACTIONS.— Upon preparation of document(s) for material or services that are chargeable to the OPTAR held by the command, the information must be entered in NAVCOMPT Form 2155. For mechanized activities, these transactions are recorded automatically by the computer. For manual activities, use the following procedures:

1. Detach a legible copy of the requisition (green copy of DD Form 1348 [6-pt], when used).

2. Compute and insert on the detached copy the total estimated price in the remarks block U of the DD Form 1348 [6-pt].

Note: The mechanized documents received from replenishment ships during underway replenishment will contain the extended price on each document. The OPTAR holders do not have to insert any additional data.

3. Record the unfilled order to the NAVCOMPT Form 2155. Enter the estimated cost to the fund code column of the *Estimated Cost Chargeable* section corresponding to the fund code cited. The information on the listing received from the replenishment ship is used for recording in this section. A one-line entry may be made from the totals provided on the listing. Discrepancies, if any, must be resolved according to the procedures set forth in NAVSUP P-485.

4. Place the unfilled order in holding file 1 pending the next submission of the OPTAR transmittal report to DAO. All mechanized documents received from the replenishment ship (except those indicated as not carried [NC] or not in stock [NIS]) must also be placed in holding file 1.

NONCHARGEABLE TRANSACTIONS.— These are transactions that do not affect the OPTAR balance and a copy of the document is not filed in holding file 1 nor transmitted to the DAO. Some examples of nonchargeable transactions are as follows

- Requisitions for initial outfitting material
- Appropriations purchase account (APA) material
- Intra-type commander transfers

The transactions described above can be entered and annotated as nonchargeable in NAVCOMPT Form 2155.

UNFILLED ORDER CANCELLATION TRANSACTIONS.— When a confirmed cancellation is received from a supply activity, perform the following actions (applies to transactions above threshold):

1. On the original unfilled order entry line of the NAVCOMPT Form 2155, annotate *CANC* in the Date Material Received column. In the Remarks column, write *CANC* and the Julian date of the annotation.

2. On the next available line of the NAVCOMPT Form 2155, enter credit (negative) amount in the Estimated Cost Chargeable column corresponding to the fund code column used for the original unfilled order. Annotate in the Description and in the Remarks column with *CANC* and the complete document number of the requisition canceled.

3. Increase the OPTAR Balance column by the amount of the cancellation. Unless otherwise changed, the amount of the credit is the same as the original unfilled order recorded in NAVCOMPT Form 2155.

4. Prepare a list of canceled documents. The list should have the document number, quantity canceled, unit of issue, fund code, canceled value, and whether it is a partial or total cancellation. Ensure that the document number and the fund is the same as the original unfilled order.

5. File the cancellation list in file 2 for submission to DAO with the next OPTAR Document Transmittal Report, This action will financially cancel the unfilled order held at the DAO. Ensure that holding file 2 is separated by each particular fiscal year (current year, prior year 1, prior year 2).

ADJUSTMENT TRANSACTIONS.— There will be conditions when an adjustment to the obligated dollar value must be made to NAVCOMPT Form 2155 and the official accounting records at DAO. Adjustments are performed for price adjustments, change of cognizance symbols (from APA to NSA or vice versa), or amendments to continuing services. Refer to NAVSO P-3013 for detailed procedures in processing adjustment transactions.

BALANCING THE REQUISITION/OPTAR LOG.— The requisition/OPTAR log must be balanced on the 15th and last day of each month. This is accomplished concurrently with the preparation of the OPTAR *Document Transmittal Report* (NAVCOMPT 2156). Balancing is done by adding the individual columns and using the total to verify the accuracy of the requisition/OPTAR log. The following process is used in balancing the log:

1. Get the cumulative total of the OPTAR increase or decrease column.

2. Get the cumulative total of each fund code column of the estimated cost chargeable section.

3. Get the net cumulative total of the difference section.

4. Check the accuracy of the log requisition/ OPtAR log and running total of the balance column as follows:

   a. Note the total of increase or decrease column.

   b. Compute the net total of each column of the estimated cost chargeable section.

   c. Subtract the result of net total of each column of the estimated chargeable section (4b above) nom the total of increase or decrease column (4a above).

   d. Compute a net total of the difference section. If the cumulative difference is a credit (minus value), add the results to the result in item 4c above. However, if the cumulative total is a debit (plus value), subtract the results from the results of item 4c above. The result of any of the above computations should equal the balance column total of the Requisition/OPTAR log.

When using the above formula, remember that *credit* differences correct overestimates of the unfilled orders and *debit* differences correct under estimates of unfilled orders. The recording of the differences will adjust the value of the unfilled orders to agree with the expenditures.

After the accuracy of the requisition/OPTAR log has been verified, the balance column total represents the current available balance of the OPTAR.

RULING THE REQUISITION/OPTAR LoG.— After balancing and verifying, the requisition/OPTAR log must be ruled. The totals of each columns will be used as the opening balance for the next transactions. At the end of each month, the requisition/OPTAR log must also be ruled. The remainder of the page (at the end of the month) will be left blank and the totals are carried forward to the next page. The ruled and balanced requisition/OPTAR log totals are the basis for the preparation of the Budget/OPTAR report (NAVCOMPT Form 2157).

OPTAR REPORTS

The reports required by the NAVSO P-3013 are the Budget OPTAR Report (BOR) and the OPTAR Document Transmittal Report. The document used for submitting the BOR is NAVCOMPT Form 2157. The NAVCOMPT Form 2156 is used for submitting the transmittal report.

OPTAR Document Transmittal Report

All unfilled orders, cancellation documents, processed DAO listings (or detail cards), and other transaction documents that affect the status of the OPTAR are transmitted to the DAO on an accurate and timely basis to permit the up-to-date maintenance of the official amounting records of the TYCOM or other operating budget holders.

Activities using manual procedures submit the OPTAR document transmittal report on the 15th and last day of each month for the current fiscal year OPTAR. The documents in the holding files 1 and 2 are removed, assembled, and submitted to the DAO with the OPTAR document transmittal report. The OPTAR holders operating under SUADPS-RT submit the mechanized unfilled order (obligation) documents along with an OPTAR document transmittal report on the last day of each month for current fiscal year OPTAR. If no transactions have taken place since the last transmittal, a transmittal will not be made for such period or periods.

Assembling the Holding File Documents

Make separate adding machine tapes for documents in holding file 1 and in holding file 2. The net total of these two tapes should be equal to the difference between the beginning and ending balances of the estimated cost chargeable columns of the requisition/OPTAR log for the current reporting period.

Submitting the OPTAR/Document Transmittal Report

The OPTAR/document transmittal report is prepared according to NAVSO P-3013-2. The report must be numbered consecutively for each OPTAR. For example, the first transmittal number for fiscal year 1996 is 001/6, the second is 002/6, and so forth. The fourth digit refers to the last digit of the appropriation fiscal year. When a transmittal is omitted for one or more periods because there are no transactions, the next transmittal should be numbered one higher than the last one submitted.

Check the OPTAR/document transmittal report before submitting to DAO. Ensure that the value of documents being transmitted corresponds to and equals the value of documents entered in the estimated cost chargeable section of the requisition/OPTAR log for the period being reported. The document values are under caption 1 (unfilled orders/adjustments from holding file 1) and caption 2 (cancellations/adjustments from holding file 2) of the OPTAR/document transmittal report.

The DAO will notify the OPTAR holder if the value of documents received does not agree with the values reported in captions 1 and 2 of the OPTAR/document transmittal report. The DAO will request that the records be corrected accordingly.

Reporting Prior Year OPTAR

An OPTAR fund is classified as a prior year OPTAR at the end of 12 months since issue. The OPTAR holder is required to submit the report monthly (on the last day of the month) for the next 2 years. The report must be submitted only when there are transactions that affect the gross obligations of the budget/OPTAR report.

The SAC 207 activities will continue to submit the OPTAR/document transmittal report for the entire 36-month life cycle of the appropriation. The report is submitted monthly in each month in which a transaction has occurred and the unfilled order documents are sent to DAO.

Budget/OPTAR Report (BOR)

The BOR is submitted by message format or by a prepared NAVCOMPT Form 2157. Under normal circumstances, the message Budget/OPTAR Report, NAVCOMPT Form 2157, is used to report BOR data. However, when the operating unit is in the immediate vicinity of the DAO or during periods of message MINIMIZE, the NAVCOMPT Form 2157 is prepared and submitted instead of the message report. When prepared, the NAVCOMPT Form 2157 is submitted by hand or mailed to the DAO, with a copy to the TYCOM, not later than the first workday of the month following the month to be reported. When a message report is submitted, the report is sent to DAO, with a copy to the TYCOM by no later than the first day of the month following the end of the month being reported. In addition, when the message report is submitted, the NAVCOMPT Form 2157 is NOT submitted. Refer to table 6-2 for the frequency for submitting the budget/OPTAR report.

Table 6-2.-Reporting Frequency of BOR

Current fiscal year	Monthly (by the first work day of the month following the month being reported upon)
Last fiscal year (prior year 1)	(1) For the report months of OCT, NOV, DEC, JAN, FEB, and MAR: Monthly (by the first workday of the month being reported upon). (2) For the report months of APR, MAY, JUN, JUL, AUG, and SEP: Only for months in which there is a change in gross obligations (see note).
Fiscal year before last (prior year 2)	Only for months in which there is a change in gross obligations (see note).
Note: There is change in gross obligations when there has been a change in the estimated cost chargeable portion of the Requisition/OPTAR log and therefore also block 22 of the BOR.	

The NAVCOMPT Form 2157 report is divided in 3 parts. Manual OPTAR holders are not required to use part I of the form. Parts II and III data must be filled out and submitted to DAO and the type commander. Refer to NAVSO P-3013 for detailed instructions in preparing the NAVCOMPT Form 2157.

BALANCING THE BOR.— After completing the report, balance the BOR by subtracting the total amount (block 24, part II of BOR) from the OPTAR grant (FYTD) amount (remarks block of the BOR). The result should equal the balance column total of the requisition/OPTAR log.

BOR UNDER SUADPS-RT.— The SUADPS-RT system is capable of preparing the BOR automatically when the monthly financial report is processed. Some versions of SUADPS are not currently able to separate end-use obligation from the DBOF (NSA) stores returns when an early cut-off date is required for the submission of the returns. Accordingly, some SUADPS activities are not able to separate reporting of end-use obligations (preparation of BOR separate from DBOF returns). The NAVSO P-3013-2 describes the reporting methods and procedures that should be used in each situation.

TRANSACTION LISTINGS FROM DAO

The designated DAOs, as the authorization accounting activities, perform the official accounting for OPTARs granted to ships, aviation squadrons, and other commands. One part of the accounting process performed for each OPTAR holder is the matching of unfilled order documents transmitted by OPTAR holders with the corresponding expenditure documents received from supply activities. The reconciliation process results in the production of listings that provide a report of transactions affecting the OPTAR holder's funds. Some of these listings are submitted to the OPTAR holder for review and processing. Copies of the listings, annotated with the action taken, are returned by the OPTAR holder to the DAO so that the official accounting records can be correctly maintained. These transaction listings are as follows:

- **Aged unfilled order listing (AUOL)**
- Unmatched expenditure listing (this listing is not received by ships or aviation operating force units unless a reimbursable OPTAR has been received)
- Summary filled order/expenditure difference listing (SFOEDL)

The above listings, as applicable, are submitted to the OPTAR holder for review immediately upon receipt. The copies of the listing, annotated with the action taken, or the response sheet are returned to the DAO. The annotated listing or response sheet should be sent separately from the OPTAR/document transmittal report (NAVCOMPT Form 2156).

The detail filled order/expenditure listing is for backup purposes only and is retained by the DAO.

Threshold Concept

In the past, great time and effort have been expended by the OPTAR holders and accounting offices in performing financial transactions. The sheer volume of transactions and disproportionate amount of effort required to review and process the relatively small dollar value transactions resulted in delays and backlogs. Therefore, threshold concept was established to save time and effort. The major features of the threshold concept are as follows:

1. Expenditures that do not match an unfilled order document in file at the DAO in 2 months of unsuccessful attempts will be threshold charged. The dollar value is calculated to make the unfilled order and the expenditure values match. If the expenditure is $3,000 or greater, the transaction is printed on the Excessive Difference Listing. The prices in this listing are verified by the accounting system. If the transaction price is correct, the transaction will be included in the SFOEDL the following month.

2. Matched and unmatched expenditures for transactions with a value of $100.00 or less will not be sent to the OPTAR holders for review. The adjustment dollar amount will be threshold charged by the DAO against the OPTAR.

3. The OPTAR holders are authorized to *administratively* cancel unfilled orders when the material has been received 60 days before the date of the AUOL. This permits recoupment of OPTAR funds on assumption that either the expenditure has been threshold charged or no expenditure will be received.

Aged Unfilled Order Listing (AUOL)

The AUOL is distributed monthly for the 4th month through the 15th month of the reporting period. It is distributed six times quarterly from 18th through the 33rd report month. The AUOL lists unfilled orders that are 3 or more months old but have not been matched with related expenditure documents and have not been canceled. Once an unfilled order is listed in the AUOL, 3 months will pass before it will be listed again (if still unmatched). When the material or services have been received, this indicates that either the DAO has not received the expenditure document, a number has been transposed thereby prohibiting a match and has been directly threshold charged, or the issuing activity has failed to forward an expenditure document.

For SUADPS-RT activities, the same principles and procedures used by manual OPTAR holders apply with some exceptions. For supplies and equipage (S&E) and aviation fleet maintenance (AFM) OPTARs, only cognizance symbol 99 will appear on the AUOL. For flight operations FLTOPs) OPTARS, the aviation fuel obligations will not appear because they are not recorded in detail at the DAO. All other obligations will appear on the AUOL in detail for OPTAR holders operating under one of the various versions of SUADPS.

Refer to NAVSO P-3013-2, paragraph 4108-3, for detailed procedures of processing the AUOL.

Summary Filled Order/Expenditure Difference Listing (SFOEDL)

The SFOEDL is forwarded monthly by the DAO to OPTAR holders for whom they perform OPTAR accounting. The listing is distributed for the 1st through 24th report months and then quarterly thereafter through the 33rd report month. Each SFOEDL contains the result of monthly reconciliations performed by the DAO since the last SFOEDL. The transactions are listed by document number sequence for each OPTAR on both monthly and quarterly transmittals of this report. The listing is a report of all filled orders with a difference of $100 or more. The OPTAR holders must accept and post to the requisition/OPTAR log all differences shown on the SFOEDL. After posting the differences, the OPTAR holder reviews the listing and annotates transactions considered invalid with an appropriate rejection code. Rejection codes are listed in the NAVSO P-3013, paragraph 4108. The valid rejections are reversed with a correction transaction by the DAO and will appear on the later SFOEDL. Differences of $3,000 or more are researched by the DAO before being included to the SFOEDL and therefore should normally be valid differences. The OPTAR holders should carefully investigate before assigning rejection codes to these differences.

Refer to paragraph 4108-6 of NAVSO P-3013-2 for detailed procedures in processing the SFOEDL.

Unmatched Expenditure Listing

Only the ships and aviation operating force units that have a reimbursable OPTAR will receive this listing. The unmatched expenditure listing itemizes expenditure documents received by DAO that have not matched with an unfilled order. The unmatched expenditure listing is forwarded quarterly, when applicable, by the DAO to the individual OPTAR holders. Each item on the list is reviewed in conjunction with the AUOL and the requisition/OPTAR log for validity. Detailed procedures for processing unmatched expenditure listings are described in NAVSO P-3013-2, paragraph 4108-4.

COST ACCOUNTING

The purpose of accounting material expenditures is to provide for fund adjustment between appropriations, subheads, or operating budgets where applicable. It also provides for cost (statistical) adjustment between unit identification codes for expense accumulation and reporting. Transactions by SAC 207 activities will not involve the use of summaries, except for A and B summaries for Repair of Other Vessels (ROV). This is because transfers from these activities are treated as stock fund issues.

Sales of Material and Services

The sales of material or services to foreign governments or private parties are normally handled as cash sales. When approved by the commanding officer, material may be transferred to government departments with an approved requisition. These government departments include the Army, Air Force, vessels of Maritime Administration, and other government departments. The requisition must cite the appropriation of the department that will pay the cost and the fiscal office that will perform the reimbursement.

Sales to merchant vessels in distress maybe made when naval supplies can be spared. This transaction requires a written approval by the commanding officer of the selling ship. Refer to paragraph 6103-2 of NAVSO P-3013-2 for additional information on sales to merchant vessels.

Funded Transfers

Funded transfers are those transfers or issues of end-use material between nonstock funded ships or units whose financial support is provided by different operating budgets. The units under the same type commander, but classified under different Five-Year Defense Programs or a budget activity, are financed by different operating budgets. The A summary is used to report the transfer/issue of material that result in charges to the receiving activity's fund and credit to the transferring activity's operating budget. The A summary credits are applied to the operating budget level (e.g., type commander) only and not to the applicable ship or unit's mission support operating target.

Cost Transfers

Cost (statistical) transfers or issues of end-use material between nonstock funded ships or units generally occur when both the receiving and transferring activity is funded by the same operating budget. The B summary results in a cost adjustment between the unit identification codes of the activities. The B summary transactions have no effect on the operating target of the transferring or receiving activities.

Transfers to Other Ships or Afloat Units

Material transfers to other ships or units must be approved by the commanding officer. Each transaction is covered by an individually priced invoice. The transferring activity obtains a copy of the receipt document from the receiving activity. However, receipts are not required for material transferred by supply ships during underway replenishment. The original invoice will be held for summarization (discussed later in this chapter).

The categories of material involved in transfers are the DBOF (formerly Navy Stock Fund [NSF]) and the Navy Stock Account (NSA).

TRANSFERS BETWEEN SHIPS UNDER THE SAME TYCOM.— Transfers of DBOF (formerly NSF) type material between the same TYCOM is nonchargeable. The material transfers will be included in the B summary of the transferring ship or activity. This also covers transfers of TYCOM centrally procured material. This procedure does not include subsistence, ship's store stock, and resale clothing.

TRANSFERS BETWEEN UNITS/FUNCTIONS FUNDED BY DIFFERENT OPERATING BUDGETS.— Transfers of DBOF (formerly NSF) type material between ships of different TYCOM are chargeable transactions. The value of the material transfers will be included in the A summary of the transferring unit. This procedure does not include subsistence, ship's store stock, and resale clothing.

APA MATERIAL TRANSFERS.— The inter-ship transfers of APA material are nonchargeable transactions that are not required to be summarized. However, these transactions are required to be documented and a copy retained in file as proof of transfer.

TRANSFER OF PETROLEUM PRODUCTS.— Fund code UZ is used by SAC 207 activities for requisitioning or purchasing aviation fuels. When the transaction is processed, it will appear in the appropriate Financial Inventory Report (FIR) caption. The value of materials received for stock from other supply officers are processed as FIR caption F4. The receipts from procurement (commercial activities) will be processed as FIR caption A1. The transferring activity will show the transaction in FIR caption P4 (transfer to other supply officer-stock). Transfer of fuels from SAC 207 stock to ship's own use or other ship's propulsion or power generation will be charged to the fleet commander's centrally managed allotment. Transfer of fuels and lubricants from SAC 207 ships for use in ship's vehicles ashore is processed as an issue and charged to the ship's OPTAR.

Issues to Aviation Units by Aviation Ships.— Issue of aviation fuels by SAC 207 activities to support squadrons is normally conducted on DD Form 1348 (6-pt). The requisition will cite the squadron's fund code (for example 7B) that will be charged for the fuel issue. The SAC 207 issuing ship will process the transaction on FIR caption J1 (issue with reimbursement-service use).

In-flight Refueling by Navy/Marine Corps Tankers.— The in-flight refueling operations are conducted by squadrons while deployed or NOT deployed. When NOT deployed, the material control officer of the transferring squadron is responsible for providing the local in-flight refueling form for the pilot to record the transactions. The form should contain the information needed to effect proper billing and reporting such as the unit identification code (UIC) of the receiving squadron. The custodian of the tanker aircraft is responsible for effecting the billing of all fuel delivered during in-flight refueling.

The DD Form 1348 (6-pt) is used for documenting fuel transactions. The serial number of the document to be used for in-flight refueling will be Fill. The complete document number will include the following data:

- Unit identification code (UIC) of the receiving squadron preceded by art R or V
- Julian date and serial number with the date being the date when the tanker service is performed and serial number Fill
- When feasible, include the aircraft bureau number of the aircraft that was refueled

When it is necessary for the tanker to dump fuel while performing tanker service, regardless of the justification, the tanker squadron will absorb the cost. The squadron performing the tanker service must settle with the SAC 207 activity about the fuel received in conjunction with financial reporting. The tanker squadron must account for the total fuel received for squadron operations and total dispersed to other aircraft. For example, the total sum of fuel for the period is 10,000 gallons at $1.16 per gallon with the total being $11,600.00. The tanker squadron consumed 7,000 gallons for operations and 1,000 gallons each is dispersed to three other squadrons. It is necessary to prepare four separate DD Form 1348s (6-pt) to effect the settlement. The tanker squadron posts $8,120.00 to the OPTAR and each receiving squadrons posts $1,160.00 to their OPTAR. Table 6-3 lists how the documents are prepared for the transactions.

During deployment, the pilot of the tanker squadron is responsible for filling out an in-flight refueling report after completing the mission. The material control officer of the tanker squadron is responsible for providing the local in-flight refueling form to the pilot. The carrier air wing commander is responsible for the coordination of transactions between the tanker and recipient squadrons. The tanker squadron can obtain a credit for fuel by preparing a DD Form 1348 (6-pt) in the same manner as the DD Form 1348 prepared to load the tanker aircraft. The document number must also be the same except the quantity must be equal to the sum of fuel quantities transferred to other squadrons. The remarks block of the DD Form 1348 must contain the phrase J1 CREDIT. The in-flight refueling procedures also apply to squadrons using the Buddy Stores method of refueling.

Table 6-3.-Tanker Squadron Fuel Documentation

DOCUMENT NUMBER	FUND CODE	ACFT TEC	QTY	AMOUNT
V01234/6191/ F001	7B	AAAA	7,000	8,120.00
V11111/6183/ F111	7B	ABBB	1,000	1,160.00
V22222/6183/ F111	7B	ACCC	1,000	1,160.00
V33333/6183/ F111	7B	ADDD	1,000	1,160.00

Fuel Received from the Air Force.— When fuel is obtained from the Air Force tanker aircraft, the receiving squadron will forward a DD Form 1348 (6-pt) to the tanker Air Force unit. The receiving squadron must request the tanker unit to maintain the document number and fund code in the Air Force billing document. Ensure the date of the refueling and the bureau number of the aircraft refueled are entered in the remarks block of the DD Form 1348 (6-pt). The address of the Air Force unit can be obtained in the *DOD Activity Address Directory,* DOD 4000.25-6-M, normally held at the supporting shore station or ship.

Summarization of Transfers

The value of material transfers and issues to other operating units and shore activities are summarized month] y. The summarization affects the necessary appropriation, subhead, operating budget, and cost accounting adjustments. The summarization does not include the Material Turned In to Store (MTIS) for credit. The mechaninized format or the *Summary of Material Receipts/Expenditures,* NAVCOMPT Form 176, is used to submit the report. The report is prepared and submitted to DAO on or before the 5th day of each month following the month in which the transactions were made.

THE A SUMMARY.— This summary is used to effect funded (chargeable) adjustments between appropriations, subheads, and operating budgets. This also applies to adjustments between operating budgets within an appropriation and subhead. The A summary credit is applied to the type commander of the transferring activity by the DAO.

THE FUEL A SUMMARY.— This summary is prepared monthly by the fleet commander only. This report is based on the information in the Navy Energy Usage Reporting System (NEURS) report that is submitted to the fleet commander.

THE B SUMMARY.— This summary is used to effect statistical accounting adjustments (nonchargeable) between appropriation accounting classifications including adjustments between UICs. For example, transfer of DBOF material between activities under the same type commander will be included in the B summary and is nonchargeable.

SUMMARY

The duties and responsibilities of financial recordskeepers and supervisors aboard ships and ashore are vitally important. Personnel working with financial records must be familiar with the OPTAR, DBOF, and end-use accounting. The AK must learn the procedures for the different OPTARs. The TYCOM issues OPTARs for the operations and maintenance of the activity and for the flight operations (for aviation squadrons). Few AKs get involved with the OPTAR used for repair of other vessels (ROV). These OPTARs are administered and reported as prescribed for by the *Financial Management of Resources Operating Pmcedures (Operating Forces),* NAVSO P-3013. The DBOF is administered and reported as prescribed by various NAVSUP, NAVCOMPT, and DFAS-CL manuals. In this chapter, we discussed the basic principles, procedures, and verifications supervisors must know in financial management. We discussed the DB OF and OPTAR funds as separate entities and their relationships to each other.

The list of terms and definitions will help you understand the procedures and reporting requirements in financial management. The flow of funds and budgeting procedures will give you an idea of how the activities get funded for required material and services. We discussed the symbols and codes used in appropriations, funds, and reports. You will become more familiar with these codes and symbols as you use them.

We discussed the procedures used for managing the DBOF by SAC 207 activities. We also discussed the different FIRs carried in the SAC 207 and the reports generated by the DAO to reconcile the transactions that affect them. We described the different documents that will help you conduct the performance analysis in your activity.

We discussed the procedures, required files, records and logs, and the responsibilities of personnel in maintaining the aviation squadron's OPTAR. As the material control supervisor or senior enlisted person in the squadron, you will be responsible for OPTAR maintenance. This chapter will help you understand your responsibilities to ensure that the OPTAR is properly used, documented, and reported.

You should refer to the publications and manuals discussed in this chapter for the current information and procedures.